



REPORT ON PROPOSED SPECIAL RATES VARIATION

For Greater Hume Shire Council

REPORT ON PROPOSED SPECIAL RATES VARIATION

CONTENTS

CONTENTS	2
EXECUTIVE SUMMARY	3
1. INTRODUCTION.....	5
2. METHODOLOGY	7
3. RESULTS.....	9
CONCLUSION	26
APPENDIX 1: TECHNICAL NOTES	28
WESTERN RESEARCH INSTITUTE.....	32

Disclaimer

Any representation, statement, opinion or advice, expressed or implied, in this publication is made in good faith, but on the basis that the Western Research Institute (WRI) or its employees are not liable (whether by reason of negligence, lack of care or otherwise) to any person for any damage or loss whatsoever, which has occurred or may occur in relation to that person taking (as the case may be) action in respect of any representation, statement or advice referred to above.

Contact Details

Street Address

The Flannery Centre
341 Havannah St
Bathurst NSW 2795

Mailing Address

PO Box 9374
Bathurst NSW 2795

Ph: 02 6333 4000

Email: team@wri.org.au

Website: www.wri.org.au

Prepared for Greater Hume Shire Council

24th November 2014

14021 Greater Hume Shire Rates/Report

EXECUTIVE SUMMARY

Greater Hume Shire Council seeks to build a sustainable future for ratepayers. Recognising the issue of financial sustainability and the need to ensure adequate funding for ongoing maintenance and replacement of infrastructure assets, including urban and rural roads, the Council is considering securing its rates revenue by increasing rates across all categories through a special rates variation (SRV).

Under the SRV, Council proposes to increase aggregated residential, farmland and business rates over a three year period commencing 2015/16 as follows:

Rates	2015/16	2016/17	2017/18	Average
Residential (% change)	11.64	10.74	9.99	10.79
Farmland (% change)	5.72	5.57	5.43	5.57
Business (% change)	11.24	10.41	9.71	10.45

The Western Research Institute (WRI) was engaged to assess the impact of the implementation of the proposed rate increases. As part of this impact assessment, WRI considered the following questions:

- Is the proposed rates increase comparable to other price and cost increases in Greater Hume Shire LGA?
- What is the impact of the proposed rates increase on household expenditure and business viability?
- What is the impact of the proposed rates increase on Greater Hume Shire LGA's ranking relative to its peers in terms of personal income and socio-economic indicators?

Special rate variation

Under the SRV the proposed rate increases will be:

- below price increases for gas, but above price increases in all other cost categories for households;
- above all input price changes likely to be experienced by farm businesses in Greater Hume Shire; and
- above all price and cost changes likely to be experienced by non-farm businesses.

The proposed rate increases will achieve considerable "catch up" with gas and education costs for households. The SRV rate increase will also go some way to "catching up" with electricity production input costs for farm and non-farm businesses. However, the proposed SRV increases will exceed experienced and forecast changes in all other cost/price categories for household, farm and non-farm businesses.

Despite relatively high residential rates/household expenditure ratios for some household groups, the proposed rates increases are not expected to impose a significant burden on households, as they will change household expenditure on rates by less than one percentage point (for all households), suggesting that **overall household expenditure will not be unduly compromised**.

For non-farm businesses, the proposed rates increases will leave rates as a proportion of business value added at quite low levels, indicating **no impact on business viability**. The proposed increases will see rates as a proportion of value added in the business rating category increase from 0.06% to 0.07% (a 0.01 percentage point increase).

REPORT ON PROPOSED SPECIAL RATES VARIATION

For farm businesses, the proposed rate increases will see rates as a proportion of farm value added remain in the vicinity of 4%, indicating only **a negligible impact on farm business viability**. The proposed increases will see rates as a proportion of value added in the farmland rating category increase from 3.88% to 4.23% (a 0.35 percentage point increase).

Under the SRV:

- Residential rates in Greater Hume Shire LGA will be below residential rates in Group 11 LGAs and above neighbouring LGAs (Albury, Wagga Wagga, Urana, Lockhart, Tumbarumba, Corowa and Tumut);
- Farmland rates will be below farmland rates in Group 11 LGAs and neighbouring LGAs; and
- Business rates will be well below business rates in Group 11 and neighbouring LGAs.

Summary

Overall, the analysis of the reasonableness of the proposed rates increases delivered the following results:

- The rate increases proposed under the SRV pass the reasonableness tests in terms of the impact on households, farm and non-farm businesses.
- The reasonableness test is passed, when comparing Greater Hume Shire farmland and business rates with respective peer LGA rates.
- Given Greater Hume Shire's rates/household expenditure ratio, assistance provided to certain population groups, and socio-economic position of the LGA, the reasonableness test is passed when considering the ability of the Greater Hume Shire community to pay higher rates.
- The reasonableness tests are partially passed in terms of comparison of proposed rate increases with cost changes for households.
- The reasonableness tests are not passed in terms of comparison of proposed rate increases with cost and price changes for farm and non-farm businesses.

1. INTRODUCTION

Greater Hume Shire Council, through its 2014/2018 Delivery Program and 2014/2015 Operational Plan, seeks to build a sustainable future for ratepayers. In 2012 Council undertook a large scale community survey which identified the following key services as not meeting community expectations:

- the maintenance of sealed and unsealed rural roads, and
- town streets.

As a result of the survey Council committed to ensuring vital infrastructure, in particular the road network, could be maintained and improved to an acceptable standard. This commitment included both sealed and unsealed urban and rural roads.

Over the past three years (2011 to 2014), Council has been faced with challenging operational budgets that have been unable to generate sufficient revenue to maintain services, including its road network. As such, Greater Hume Shire Council now seeks to secure its rates revenue and increase the ordinary rates by means of Special Rates Variation (SRV). The SRV funding will provide a sustainable increase in rates revenue across all rating categories, allowing Council to increase its investment in an ageing road network that is in critical need of maintenance and renewal.

Under the SRV, Council proposes to increase residential, farmland and business rates over a three year period commencing 1 July 2015.

Rates	2015/16	2016/17	2017/18	Average
Residential (% change)	11.64	10.74	9.99	10.79
Farmland (% change)	5.72	5.57	5.43	5.57
Business (% change)	11.24	10.41	9.71	10.45

By the end of the SRV implementation period, the cumulative increase across residential rates in Greater Hume Shire will be 35.98%, 17.67% across farmland rates and 34.74% across business rates.

It should be noted that the proposed annual rate increases include a forecasted 3% rate peg.¹ The current 2014/15 budget also includes the 2.36% rate peg set by the Independent Pricing and Regulatory Tribunal (IPART), defining the maximum allowable increase in local government general income for NSW councils.²

Greater Hume Shire Council's total revenue will increase by 24.60% over the period of the SRV implementation, with 9.27% of this figure attributable to the rate peg. Thus, Council's proposal would see the rate yield increased by 15.32% more than what it would have been under a rate peg only scenario. Growing the rate yield by this amount over the period of the SRV implementation is expected to allow financial sustainability to be attained.

¹ Greater Hume Shire Council has assumed an estimated rate peg increase of 3% for forward estimates and Long Term Financial Planning for the 2015/16 and following financial years.

² See IPART. Local Government Rate Peg 2014/15, Local Government – Information Paper December 2013.

REPORT ON PROPOSED SPECIAL RATES VARIATION

The rate increase will be in excess of the pegging percentage set by IPART, and therefore a separate application by Council has to be made to IPART, providing justification for a rates increase above the pegging threshold.

IPART guidelines specify that the relevant evidence supporting the application for the rate increase should include a discussion of the community's capacity to bear the effects of the rate increase (e.g. the SEIFA rankings, disposable income levels, land values), and a comparison of rate levels and socio-economic indicators with peer group councils.

The following report gives due consideration to IPART guidelines and examines three issues pertaining to the proposed rate increases and Greater Hume Shire Council's application to IPART. The three issues are:

- The comparison of the proposed rate increases with the increase of costs and prices, recently experienced by Greater Hume Shire residents and farm and non-farm businesses.
- The impact of the proposed rate increases on Greater Hume Shire residents' household expenditure, and viability (financial bottom line) of Greater Hume Shire farm and non-farm businesses.
- A comparison of the socioeconomic indicators in Greater Hume Shire and peer local government areas (LGAs), following the implementation of the rate increases.

2. METHODOLOGY

This report analyses the proposed rate increases for reasonableness. Three aspects of reasonableness are considered - price comparison, impact and peer comparison.

Price comparisons

To determine the reasonableness of the rate increases for households, this report first considers cost increases of major items of goods, services and utilities borne by households over the last 3 years. It is assumed, for the purposes of this report that similar increases will occur over the 3 year SRV implementation phase.

To determine the reasonableness of the rate increases for farm businesses, input price increases over the last 3 years for major farm inputs are considered, while for non-farm businesses, input price increases over the last 3 years for each of the major industries in Greater Hume Shire LGA are considered. Again it is assumed that similar increases will occur over the 3 year SRV implementation phase.

The rate increase is considered reasonable, if it is in line with the majority of other price and cost increases over the next 3 years, or if the proposed rate increases will “catch up” with the majority of other price and cost increases over the 3 year period.³

Impact

The impact of the rate increase for households will depend upon the relative size of the rate increase in the household budget. Actual estimates of household expenditure and individual expenditure items in Greater Hume Shire are not available, but proxy estimates can be constructed from the Australia-wide household expenditure survey and Greater Hume Shire’s average household income. Proposed residential rates can then be compared to the average expenditure of Greater Hume Shire households. The relevant calculations are performed for all households, as well as for households that have various income levels (income quintiles), sources of income (wages and salaries, superannuation and annuities etc), and households that receive various forms of government payments (age pension, unemployment benefits etc).

The impact of the rate increase on households is considered insignificant if rates, as a percentage of household expenditure, change by less than 1 percentage point, and the level of rates as a percentage of household expenditure remains under 1%.

The impact of the rate increase for Greater Hume Shire businesses will depend upon how the increase affects the business bottom line or gross operating surplus (GOS). Figures for GOS across businesses in Greater Hume Shire are not available but GOS is part of the value-added of Greater Hume Shire industry and the two concepts are related. Therefore, the ratio of rates to industry value added is a good proxy for

³ Catch up takes place if the rate increase equals or exceeds the actual price/cost increase of related items over the last 3 years plus the assumed increase of related items over the next 3 years minus the actual rate increase over the last 3 years.

REPORT ON PROPOSED SPECIAL RATES VARIATION

the impact of rates on industry viability and is used in the analysis of Greater Hume Shire industries over the 2015/16 – 2017/18 period⁴.

The impact of the rate increase on the viability of Greater Hume Shire businesses is considered insignificant if the rate increase as a percentage of industry value added changes by less than 1 percentage point, and the level of rates as a percentage of industry value added remains under 1%. This assumes company tax of 30% has been deducted.

Peer Comparison

Greater Hume Shire Council is compared to three peers: New South Wales as a whole, 'Group 11 LGAs' to which Greater Hume Shire belongs and a combined 'Group 11 & neighbouring LGAs'. Group 11 LGAs include Bellingen, Cabonne, Cooma-Monaro, Corowa, Cowra, Greater Hume, Gunnedah, Inverell, Leeton, Moree Plains, Muswellbrook, Nambucca, Narrabri, Palerang, Parkes, Tumut, Upper Hunter, Yass Valley and Young. Neighbouring LGAs include Albury, Lockhart, Tumbarumba, Urana, Wagga Wagga, Corowa and Tumut.⁵

Specifically, WRI has examined whether rates in Greater Hume Shire have been in line with its peers, and how Greater Hume Shire Council has ranked relative to its peers in areas such as socio-economic disadvantage of its population and average personal incomes. This latter aspect is crucial, as a low ranking in this area may point to the unaffordability of the rates' increase. In addition WRI makes a projection of the future ranking of Greater Hume Shire in terms of rates.

The rate increases are considered consistent with Greater Hume Shire rankings in terms of personal income and socio-economic (dis-)advantage, if:

- Following the implementation of the SRV, the rates ranking of Greater Hume Shire is brought in line with its average personal income ranking;
- Some form of assistance accompanying the rate increases is provided in order to compensate for the rate increases in Greater Hume Shire over the 3 year period.

Appendix 1 outlines the methodological procedures employed, assumptions made, intermediate results and data sources.

⁴ It should be noted that rates are tax deductible so for the comparison the company tax rate should be deducted from the rate increase.

⁵ See Appendix 2 for Map of Greater Hume Shire and Neighbouring LGAs.

3. RESULTS

3.1 Price comparisons

a. Households

When comparing proposed rate increases in Greater Hume Shire, WRI assumed that for all cost items, the past growth trend is likely to continue in the short term with cumulative price increases between 2014/15 – 2017/18 being commensurate with Consumer Price Index (CPI) gains between September 2011-2014. This view is based on forecasts by the Reserve Bank of Australia⁶ and the Commonwealth Government of no major acceleration or deceleration of inflation in the short term.

Table 1 (overleaf) shows uneven inflation over the past three years across selected industries and sectors. The cumulative All groups CPI change for the period September 2011 to September 2014 was 6.71%. Utilities, as a combination of all services, rose by 16.20%. Gas (40.90%), education (33.03%) and childcare (24.66%) experienced the greatest cost changes while recreation and culture (1.19%) experienced the smallest change. Household equipment and clothing and footwear, declined by 5.14% and 4.89% respectively, while healthcare, travel and accommodation and property rates and charges rose by 17.17%, 6.50% and 15.40% respectively. The cost of goods component of the All groups CPI rose by 3.97% over the past three years, while the services component experienced a 10.32% growth for the same period.

The data in Table 1 (Column 2) suggests the proposed SRV (including rate peg), which will see a 35.98% cumulative increase in residential rates over the 2014/15 – 2017/18 period, will be:

- below assumed price changes for gas; and
- above assumed price changes for all other categories.

Table 1 (Column 3) also indicates that the proposed rate increase will go some way to “catching up” with, changes in gas and education prices. The rate increase will exceed experienced and forecast price changes in all other cost categories.

⁶ <http://www.rba.gov.au/media-releases/2014/mr-14-19.html>

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 1: Actual and projected costs for Greater Hume Shire Council households based on Sydney CPI (cumulative % change)

Period	Past change (2010/11– 2013/14)	Assumed change (2014/15 - 2017/18)	Past change + Assumed change - past rate change
All groups CPI	6.71	6.71	-8.03
1. Services	10.32	10.32	-0.79
Healthcare	17.17	17.17	12.91
Education	33.03	33.03	44.61
Insurance and financial services	9.74	9.74	-1.97
Travel and accommodation	6.50	6.50	-8.44
Recreation and culture	1.19	1.19	-19.06
Communications	2.62	2.62	-16.20
Child care	24.66	24.66	27.89
2. Goods	3.97	3.97	-13.50
Food and beverages	1.66	1.66	-18.12
Alcohol and tobacco	15.33	15.33	9.22
Clothing and footwear	-4.89	-4.89	-31.21
Household equipment	-5.14	-5.14	-31.72
3. Utilities	16.20	16.20	10.96
Electricity	14.50	14.50	7.56
Electricity (AEMO forecast)	28.74	4.62	-15.65
Gas	40.90	40.90	60.36
Water and sewerage	6.70	6.70	-8.04
4. Property rates and charges	15.40	15.40	9.36
5. Greater Hume rates	21.44		
Special rate variation (including Rate Peg)		35.98	

WRI has sought to verify likely electricity price projections from a number of sources. The information available is highly variable. The Australian Energy Market Operator, which operates Australia's National Electricity Market (NEM), provides aggregated State data on both electricity consumption and price. The Total Electricity Price Index (TEPI) forecasts a 4.62% cumulative price change for NSW electricity over the 2015/16 – 2017/18 period.⁷ This information implies that it is likely that the rate increases proposed by Greater Hume Shire Council will exceed anticipated changes in electricity prices.

⁷ <http://www.aemo.com.au/Electricity/Planning/Forecasting/National-Electricity-Forecasting-Report>

For Greater Hume Shire households:

- The proposed cumulative rates increase under the SRV will be below assumed price changes for gas, but above the assumed price changes for all utilities, goods and services.
- Under the SRV, the proposed cumulative rates increase will achieve “catch up” with changes in gas and education prices, but will exceed experienced and forecast price changes in all other cost categories.

Overall, the reasonableness criterion is partly satisfied.

b. Farm businesses

Rates in New South Wales are largely linked to land value and in a predominately rural council like Greater Hume Shire, councillors viewed that an unfair burden could be placed on rural ratepayers. Currently farmland (including ordinary and forestry) makes up approximately 73% of the total average Greater Hume Shire land value, with 36% of rate assessments falling under the farmland category which constitutes 64% of the total Council rate revenue. Council’s proposal is that residential and business rates increase by 10–12% per annum over three years and Farmland – Ordinary and Forestry between 5–6%. In dollars terms this provides a more even spread across the shire than if land value alone was the sole determinant. As stated, the central aim of the Special Rate Variation is to provide Council with additional resources to commit to the ongoing maintenance and renewal of Council’s assets, particularly the local road network.⁸

In comparing proposed farmland rate increases in Greater Hume Shire, WRI assumed that input cost changes that Greater Hume Shire farm businesses will experience over the SRV implementation period (1 July 2015 – 30 June 18) will be identical in terms of magnitude to the input cost changes experienced over the past three years.⁹

Table 2 (overleaf) shows a variation in farm input costs over the 2011-14 period. Substantial increases were seen in costs associated with electricity (16.90%) and insurance (12.36%), while major farm inputs relating to fertiliser (4.66%) and store and breeding stock (8.59%), declined over the period. Other major farm inputs including chemicals, labour, and fuel and lubricants rose by 2.91%, 3.78%, and 3.34% respectively, all of which were lower than the cumulative CPI (6.85%)¹⁰ for the same period.

The proposed farmland rate increases under the SRV (17.67% cumulative increase over 2014/15 – 2017/18 period) will be above all input price changes likely to be experienced by farm businesses in the Greater Hume Shire.

⁸ Greater Hume Shire Community Engagement Guide, October 2014.

⁹ However, it is plausible for agriculture that future price changes will not mirror past price changes as it is unlikely the Australian dollar will appreciate to the same extent as in the past.

¹⁰ABS, 6401.0 Consumer Price Index, Australia Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Change

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 2: Farm business input costs¹¹ (cumulative % change)

Farm Inputs	Past change (2010/11– 2013/14)	Assumed change (2014/15 - 2017/18)
Materials and services		
Fodder and feedstuffs	5.91	5.91
Seed, seedlings and plants	9.71	9.71
Store and breeding stock	-8.59	-8.59
Chemicals	2.91	2.91
Electricity	16.90	16.90
Fertiliser	-4.66	-4.66
Fuel and lubricants	3.34	3.34
Labour	3.78	3.78
Marketing	9.33	9.33
Overheads		
Insurance	12.36	12.36
Interest paid	-30.28	-30.28
Rates and taxes	7.59	7.59
Other Overheads	7.58	7.58
Capital items		
	8.15	8.15
Greater Hume Shire		
-Special Rate Variation		17.67

c. Non-farm businesses

Table 3 (overleaf) shows disparity in input/output prices and wage costs across non-farm business industries over the 2011-14 period. In the mining industry, metal ore and coal both experienced input price declines of 9.15% and 37.79% respectively, however wage costs rose by 11.57%. A disparity was also seen in the electricity industry where input prices rose by 32.95% while wage costs (11.67%) rose by just over a third of this. Substantial wage cost increases were seen in the house construction (10.68%), public administration and safety (9.93%), education and training (9.85%) and health care and social assistance (9.51%) industries. Output prices for road freight (12.84%) and rail freight (14.82%) exceeded the cumulative CPI (6.85%) for the same period. The smallest change in non-farm business costs over the 2011-14 period occurred in manufacturing (0.30%) with the largest occurring in the electricity industry.

The proposed cumulative business rates increase under the SRV (34.74%) will be above all price and cost changes likely to be experienced by non-farm businesses in the Greater Hume Shire.

¹¹ ABARES Agricultural Commodity Statistics 74a and b - Indexes of prices paid by farmers in Australia.

Table 3: Non-farm business costs (2010/11 – 2013/14 cumulative % change)

Industry	Input prices	Output prices	Wages
Metal ore mining	-9.15		11.57
Coal mining	-37.79		11.57
Electricity	32.95		11.67
Manufacturing	0.30		9.67
House construction	4.10		10.68
Road & bridge construction		11.00	
Non-residential construction		2.71	
Accommodation & food services		5.22	8.29
Rail freight		14.82	
Road freight		12.84	
Public administration & safety			9.93
Education & training			9.85
Health care & social assistance			9.51
Imported materials	8.47		
Domestic materials	-1.77		
Intermediate inputs	4.93		
Greater Hume Shire rates variation			
-Special rate variation (non-farm businesses)	34.74		

WRI has also examined the possibility of the proposed business rates catching up with price and costs changes (Table 4, overleaf).

Under the SRV, the proposed business rates increase will go some way to catching up with experienced and forecast electricity production input price changes, but will exceed experienced and forecast changes in all other input price, output price and wage categories. The proposed farmland rates increase will partly catch up to experienced and forecast changes in input prices for electricity, but will exceed experienced and forecast changes in all other farm input price categories.

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 4: The catching up of proposed rate increases with price and costs changes

Industry	Input prices (past change + assumed change - past rate change)	Output prices (past change + assumed change - past rate change)	Wages (past change + assumed change - past rate change)
a). Price and cost changes for manufacturing industries			
Metal ore mining	-26.77		14.66
Coal mining	-84.05		14.66
Electricity	57.43		14.88
Electricity (AEMO forecast)	29.10		14.88
Manufacturing	-7.87		10.88
House construction	-0.26		12.89
Road construction & maintenance		13.52	
Non-residential construction		-3.04	
Accommodation & food services		1.98	8.12
Rail freight		21.18	
Road freight		17.21	
Public administration & safety			11.40
Education & training			11.22
Health care & social assistance			10.55
Imported materials	8.47		
Domestic materials	-12.01		
Intermediate inputs	1.39		
<i>Past business rate change (2011-2014)</i>	8.47		
Greater Hume Shire			
-Special rate variation (business)	34.74		

GREATER HUME SHIRE COUNCIL

Industry	Input prices (past change + assumed change - past rate change)	Output prices (past change + assumed change - past rate change)	Wages (past change + assumed change - past rate change)
b). Input Price changes for agriculture			
Materials and services			
Fodder and feedstuffs	1.74		
Seed, seedlings and plants	9.35		
Store and breeding stock	-27.26		
Chemicals	-4.26		
Electricity	23.73		
Fertiliser	-19.39		
Fuel and lubricants	-3.39		
Labour	-2.52		
Marketing	8.58		
Overheads			
Insurance	14.64		
Interest paid	-70.63		
Rates and taxes	5.10		
Other Overheads	5.09		
Capital items	6.23		
<i>Past farmland rate change (2011-2014)</i>	10.07		
Greater Hume Shire			
-Special rate variation (farmland)	17.67		

Note. "Catching up" is measured as changes in input prices over the past 3 years plus assumed changes in input prices over the next 3 years minus past business / farmland rate changes. For the purpose of this assessment an assumption was also made that changes in imported and domestic material prices and intermediate input prices would affect manufacturing industries. The catching up of the proposed rates increase with price changes in these inputs was calculated using past business rate changes in Greater Hume Shire.

For Greater Hume Shire farm and non-farm businesses:

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs.
- Under the SRV, the proposed rate increases will "catch up" with changes in farm and non-business input prices for electricity production but will exceed experienced and forecast price changes in all other farm and non-farm categories.

Overall, the reasonableness criterion is not satisfied.

REPORT ON PROPOSED SPECIAL RATES VARIATION

3.2 Impact

a. Household expenditure

Table 5 presents the proportion of residential rates under the proposed SRV in the overall expenditure of Greater Hume Shire households.

Table 5: Greater Hume Shire Council rates as a proportion of total expenditure (% in 2017/18)

a). Level of income

	Lowest	Second	Third	Fourth	Highest	All households	Second and third deciles
Initial (2014/15)	1.51	1.06	0.80	0.65	0.52	0.81	1.28
After 3 years (2017/18)	1.62	1.14	0.86	0.70	0.56	0.86	1.37
Change (2014/15-2017/18)	0.11	0.08	0.06	0.05	0.04	0.06	0.09

b). Sources of income

	Wages and salaries	Own unincorporated business income	Other income	All households
Initial (2014/15)	0.69	0.67	0.74	0.82
After 3 years (2017/18)	0.74	0.72	0.78	0.74
Change (2014/15-2017/18)	0.05	0.05	0.05	-0.08

c). Sources of government transfers

	Receives age Pensions	Receives disability and carer payments	Receives unemployment and study payments	Receives family support payments	Receives other payments
Initial (2014/15)	1.90	1.53	1.50	1.34	1.87
After 3 years (2017/18)	2.04	1.64	1.59	1.43	2.00
Change (2014/15-2017/18)	0.13	0.11	0.10	0.09	0.13

Note. Changes are calculated as rates/household expenditure ratio in 2017/18 minus rates/household expenditure ratio in 2014/15.

WRI notes that Greater Hume Shire Council has a rates hardship policy in place that provides assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges.¹² Council also provides an annual rebate to assist the payment of ordinary rates and an annual rebate to assist the payment of sewer charges to eligible pensioners in accordance with Section 575 of the Local Government Act. As a result, rates as a proportion of total expenditure are likely to be smaller for these ratepayer categories than the numbers in Table 5 indicate.

¹² Applications under the Greater Hume Shire hardship policy are generally only for persons in receipt of a Pension Concession Card issued by Centrelink, the Department of Veterans Affairs or the Department of Veterans Affairs Gold TPI or EDA Card. Applications must also be classified as residential or farmland for rating purposes. Greater Hume Shire Council. Hardship and Pensioner Concession Policies, November 2014.

It is shown that:

- Under the proposed SRV, the total cost of residential rates incurred by the households in the lowest quintiles will not exceed 1.62% of the total expenditure by 2017/18.
- For those households receiving the age pension, the costs will stand at 2.04% of total expenditure under the proposed SRV.
- For all categories of government support recipients, under the proposed SRV the rates/household expenditure ratio will range from 1.43% to 2.04% in 2017/18 and on average will be 1.74%.
- For all households, the cost of residential rates will be 0.74% of total expenditure under the proposed SRV in 2017/18 financial year.

Despite the fact that residential rates as a proportion of the household expenditure are above 1% for some household categories, the proposed increase of residential rates in Greater Hume Shire is likely to only have a moderate impact, because:

- Under the proposed SRV, rates as a percentage of total household expenditure will decline by 0.08 percentage points between 2014/15 and 2017/18 in the 'All households' category.
- Therefore, under the proposed SRV the reasonableness criterion will be satisfied.

The ranking of Greater Hume Shire against its peers in terms of rates/household expenditure ratio is modelled, assuming that Greater Hume Shire increases its rates under the proposed SRV, while rates in Group 11 and neighbouring LGAs increase under two alternative scenarios.

Scenario 1. Rates in Group 11 and neighbouring LGAs increase by 8.06% per annum over 2015/16 – 2017/18 period (the weighted average rate increase permitted by IPART determinations in 2012-15 for NSW LGAs)

Scenario 2. Rates in Group 11 and neighbouring LGAs increase in line with 10 year past trend 4.5% over 2015/16 – 2017/18 period.

As shown in Table 6, the rates/household expenditure ranking of Greater Hume Shire LGA against its peers will improve if the SRV is implemented, with Greater Hume Shire moving from 9th highest to 10th highest rates/household expenditure ratio (out of 24 LGAs), assuming peer LGAs grow at Scenario 2 growth rate. If peer LGAs grow at Scenario 1 growth rates, the ranking of Greater Hume Shire LGA will also improve moving Greater Hume Shire from 9th highest to 12th highest.

WRI notes that under the proposed SRV, between 2014/15 and 2017/18 the change in rates/household expenditure ratio in Greater Hume Shire LGA will not exceed one percentage point. In absolute terms the rates/household expenditure ratio will be below 1%. **Therefore the reasonableness criterion is satisfied.**

Overall, it appears that, despite relatively high rates/household expenditure ratios in some of the income categories, in 2017/18 (i.e. by the end of SRV implementation period) households across all classification categories will be able to pay the rates without unduly compromising their overall expenditure.

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 6: Rates as a percentage of total household expenditure in Greater Hume Shire and peer LGAs

LGA	Current (2014-15)	After 3 years	
		Scenario 1	Scenario 2
Bellingen Shire Council	1.43	1.42	1.01
Cabonne Council	0.81	0.81	0.71
Cooma-Monaro Shire Council	1.00	1.00	0.87
Corowa Shire Council	0.64	0.64	0.55
Cowra Shire Council	0.66	0.66	0.57
Greater Hume Shire Council	0.81	0.86	0.86
Gunnedah Shire Council	0.83	0.83	0.70
Inverell Shire Council	1.31	1.30	1.15
Leeton Shire Council	1.20	1.20	1.03
Moree Plains Shire Council	1.15	1.14	1.02
Muswellbrook Shire Council	0.68	0.68	0.58
Nambucca Shire Council	1.39	1.38	1.21
Narrabri Shire Council	1.13	1.13	0.96
Palerang Council	0.92	0.91	0.80
Parkes Shire Council	0.75	0.75	0.64
Tumut Shire Council	0.83	0.82	0.72
Upper Hunter Shire Council	0.73	0.72	0.63
Yass Valley Council	0.74	0.73	0.64
Young Shire Council	0.89	0.89	0.79
Albury City Council	1.38	1.37	1.17
Wagga Wagga City Council	1.21	1.20	1.09
Urana Shire Council	0.24	0.24	0.19
Lockhart Shire Council	0.35	0.34	0.29
Tumbarumba Shire Council	0.61	0.61	0.54
Ranking of Greater Hume Shire Council	9th highest 16th lowest	12th highest 13th lowest	10th highest 15th lowest

- *Scenario 2 - Assuming Group 11 and neighbouring LGAs increase their rates in line with past 10-year trend. Greater Hume Shire LGA increases rates on average across all rating categories by 7.96%, 7.59% and 7.27% over the 2015/16 – 2017/18 period.*
- *Scenario 1 - Assuming Group 11 and neighbouring LGAs increase their rates at 8.06% per annum, while Greater Hume Shire LGA increases rates by across all rating categories by 7.96%, 7.59% and 7.27% over the 2015/16 – 2017/18 period.*
- *Rate increase of 8.06% per annum is the weighted average of IPART determinations for NSW LGAs over the 2012-15 period.*

b. Farm and non-farm business viability

The impact of farmland rates on the viability of farm enterprises will vary depending on projections of agricultural value added in Greater Hume Shire and the forecast of the number of farms.

WRI examined the factors that affect agricultural production in rural NSW and Greater Hume Shire and considered that a growth scenario where farm value added fluctuates around a 4 year mean is the most plausible, taking into account seasonal factors, the likelihood of drought and certain adverse economic conditions (e.g. strong Australian dollar, rising input costs, slow growth in export markets) that may affect agricultural producers in Greater Hume Shire during 2014/15 - 2017/18.

WRI has also examined the number of farms over the last 12 years and assumed that the number of businesses in 2014/15 - 2017/18 will follow a long term deterministic trend.

Table 7 shows that during the SRV implementation period, the number of farms in Greater Hume Shire will grow slightly, while agricultural value added will experience moderate growth. The implementation of the proposed SRV will result in:

- The farmland rate/value added ratio standing at 4.23% in 2017/18; and
- The farmland rate/value added ratio increasing by 0.35 percentage points between 2014/15 and 2017/18

Table 7: Farmland rates and farm business viability

Year	Farmland rates (\$)	No. of farms	Value added (\$'000)	Rates/value added (%)
2014-15	1829	2325	76,740	3.88
2015-16	1933	2326	78,741	4.00
2016-17	2041	2327	80,795	4.12
2017-18	2152	2329	82,903	4.23
Change (2014/15 - 2017/18)				0.35

Note. The results presented in the table have been generated assuming the random fluctuation of aggregate farm value added in Greater Hume Shire LGA. The magnitude of fluctuation and the aggregate farm value added levels were specified based on REMPLAN data provided by Council for January 2014.

Note. Rates have been deflated by the 30% company tax rate before calculating the rates/value added ratio.

Regarding the viability of non-farm businesses, since their number has been increasing at a slower rate than the non-farm value added for Greater Hume Shire, the average revenues of non-farm businesses were high and the business rates/value added ratios quite low (Table 8). WRI assumes that this structural pattern will be preserved during the course of the SRV implementation.

Table 8 (overleaf) shows that the implementation of the proposed SRV is expected to result in:

- The business rates/value added ratio being 0.07 % by 2017/18; and
- The business rates/value added ratio increasing by 0.01 percentage points between 2014/15 and 2017/18.

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 8: Business rates and non-farm business viability

Year	Business rates (\$)	No. of businesses	Value added (\$'000)	Rates/value added (%)
2014-15	603	500	343,357	0.06
2015-16	671	502	358,563	0.07
2016-17	741	504	374,441	0.07
2017-18	812	506	391,023	0.07
Change (2014/15 - 2017/18)				0.01

Note. The results presented in the table have been generated assuming the growth of non-farm value added in Greater Hume Shire is 4.4% per annum over the next 3 years and the growth in the number of non-farm businesses is 0.4% per annum. This assumption was based on past growth in NSW gross state product.

The proposed rates increases under the SRV are considered serviceable for non-farm businesses and will not have a significant impact on their financial bottom line.

Despite the fact that the rates/value added ratio for farm businesses is above 1%, the proposed rates increase is likely to only have a minimal impact on capacity to pay because the change in this ratio will be less than 1 percentage point.

Overall the **reasonableness criterion is satisfied** in both business and farmland rate cases.

3.3 Greater Hume Shire Council and its peers

WRI has examined past and projected council rates in Greater Hume Shire, Group 11 peer LGAs and neighbouring LGAs (Albury, Wagga Wagga, Urana, Lockhart, Tumbarumba, Corowa and Tumut) in the context of the proposed SRV.

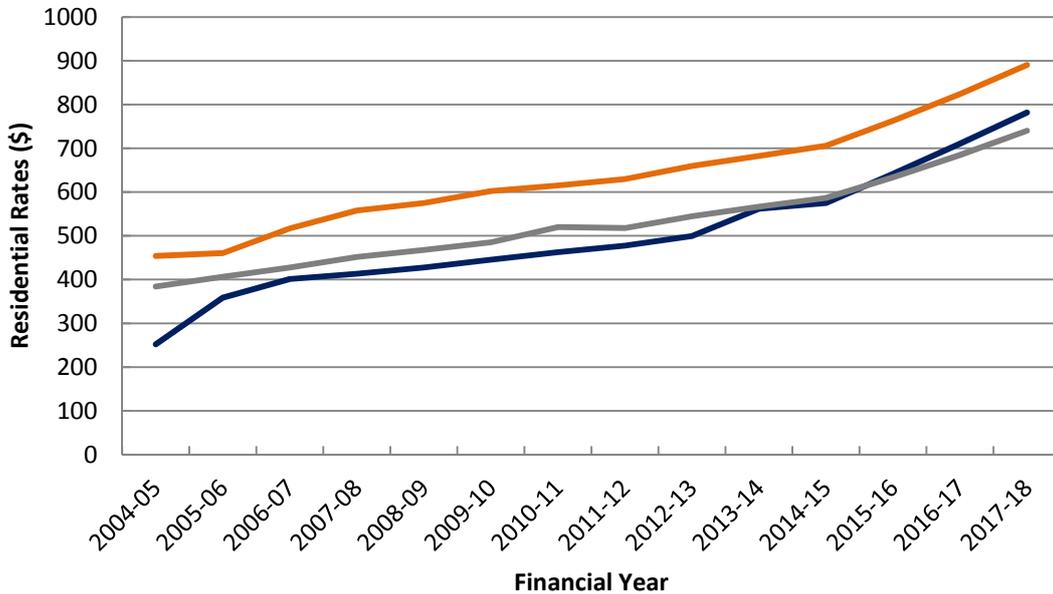
In addition, WRI considered the likelihood of rate changes in peer LGAs over the 2015/16-2017/18 period. As stated in the 2009-12 NSW Treasury Corporation report, the financial position of 78% of NSW local governments was either moderate or unsustainable, meaning that raising funds via rate increases to address operational deficits and infrastructure backlogs would be needed.¹³

As to the magnitude of the likely rates' increase, historical IPART determinations can provide guidance. The weighted average annual rate increase permitted under IPART determinations for Group 11 LGAs has been estimated at 8.25%, while the weighted average for Greater Hume Shire neighbouring LGAs has been estimated at 6.39%. For the purpose of this assessment, WRI has assumed rates in all peer LGAs (Group 11 and Neighbouring) will grow at a weighted average annual rate of 8.06% over 2015/16 – 2017/18, based on historical IPART determinations for NSW LGAs.

¹³ New South Wales Treasury Corporation. Financial Sustainability of the New South Wales Local Government Sector: Findings, Recommendations and Analysis, April 2013, p. 10.

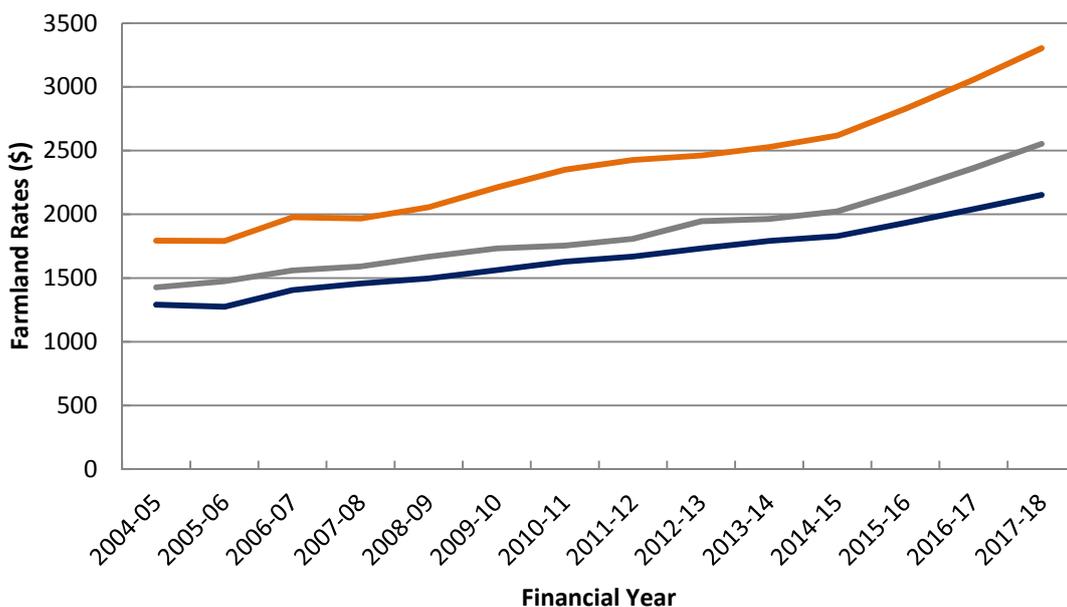
Scenario 1 for peer LGAs – Growth at 8.06% per annum

Figure 1: Growth in Annual Residential Rates (—) Greater Hume Shire LGA, (—) Group 11 LGAs, (—) Neighbouring LGAs



Residential rates in Greater Hume Shire LGA were below peer LGA levels during the 2004/05 – 2012/13 period, but have been rising steadily. In the past two years residential rates in Greater Hume Shire LGA have caught up to neighbouring LGA levels, but are still well below Group 11 LGAs. Under the 8.06% growth scenario in peer LGAs and SRV implementation, Greater Hume Shire residential rates will be below Group 11 LGA levels by 13.93% and above neighbouring LGA levels by 5.33% in 2017/18.

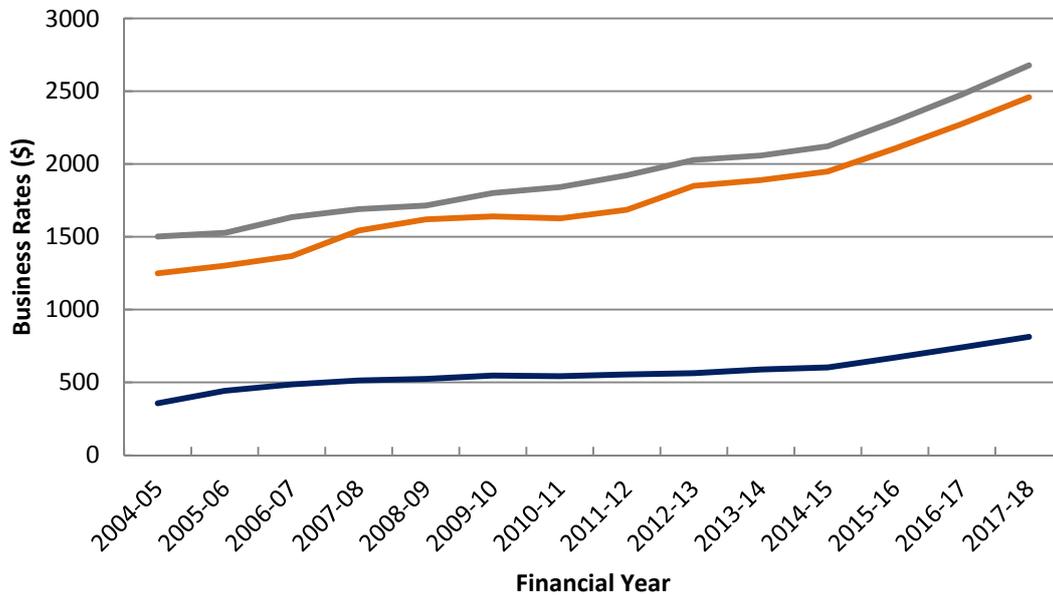
Figure 2: Growth in Annual Farmland Rates (—) Greater Hume Shire LGA, (—) Group 11 LGAs, (—) Neighbouring LGAs



REPORT ON PROPOSED SPECIAL RATES VARIATION

Under the 8.06% growth scenario Greater Hume Shire SRV farmland rates will be below Group 11 and neighbouring LGA levels by 53.51% and 18.62% respectively in 2017/18.

Figure 3: Growth in Annual Business Rates (—) Greater Hume Shire LGA, (—) Group 11 LGAs, (—) Neighbouring LGAs



WRI notes that over the past 10 years business rates in Greater Hume Shire LGA have been significantly below Group 11 and neighbouring LGA levels. Assuming business rates in peer LGAs grow at 8.06% per annum and the SRV is implemented, business rates in Greater Hume Shire will still remain well below Group 11 and neighbouring LGAs. By 2017/18 the gap will have widened and Greater Hume Shire business rates will be 202.60% below Group 11 LGAs and 229.51% below neighbouring LGA levels.

Comparisons to Scenario 2 did not reveal any significant differences in Greater Hume Shire's comparative position to those presented for Scenario 1 above.

The comparison of the ratio of outstanding rates to total rates collected in Greater Hume Shire with that of its peer groups has been complicated by two factors:

1. For the years preceding 2013/14 Financial Year, Greater Hume Shire had been including outstanding water usage charges in its outstanding rates calculation. In 2014, new auditors were engaged and they informed Council that the inclusion of outstanding water usage charges was inconsistent with the calculations being performed by other councils. In effect this means that the data reported to the Division of Local Government (DLG) has been overstating the value of outstanding rates for Greater Hume Shire.
2. The most recent outstanding rates data available for Greater Hume Shire (for 2012/13 onwards) has been amended not to include outstanding water usage charges, however, information for this year is yet to be reported by DLG and therefore, no comparative data is available for the peer groups.

As a result of the two factors above, comparative rankings of Greater Hume Shire's level of outstanding rates have not been produced.

For 2012/13 financial year, the amended outstanding rates data available for Greater Hume Shire indicates that the level of outstanding rates as a proportion of total rates was 6.49% (as opposed to the 9.47% reported to DLG) compared to 7.35% for Group 11 LGAs and 6.61% for neighbouring LGAs. This places Greater Hume Shire's outstanding rates in line with its peers, with both Group 11 and Neighbouring LGA averages over the period 2004/05 – 2009/10 ranging between six and eight percent. Furthermore, this is supported by the most recent data available, for the current financial year, in which the figure is 7.52%. **The comparison does not highlight any concerns regarding the capacity of the Greater Hume Shire community to pay council rates.**

As shown in Table 9, Greater Hume Shire Council was ranked favourably relative to NSW, Group 11 and 'Group 11 & neighbouring LGAs' in terms of residential rates, having its residential rates below the respective peer groups' median. Among 152 NSW LGAs, Greater Hume Shire Council had the 37th lowest residential rates.

It was also ranked favourably in terms of farmland and business rates, with levels being below the median of NSW, Group 11 and 'Group 11 & neighbouring' LGAs.

Table 9: Council rates (2012-13)

LGA	Sample	Residential	Farmland	Business
NSW	n=152	37th Lowest	45th Lowest	17th Lowest
G-11	n=19	3rd Lowest	6th Lowest	2nd Lowest
G-11 & neighbouring LGAs	n=24	6th Lowest	8th Lowest	4th Lowest

Note. Rates ranking pertain to the 2012-13 Financial Year.

Regarding the affordability of the proposed rates' increase and associated socio-economic standing, Greater Hume Shire was ranked favourably in terms of socio-economic indicators against its peers, as well as NSW LGAs.

As shown in Table 10 (overleaf), Greater Hume Shire is ranked above Group 11, 'Group 11 & neighbouring' and NSW LGA medians in all components of SEIFA. Overall, the SEIFA rankings suggest that the socio-economic situation in Greater Hume Shire, relative to its peers, is sound.

Table 10: SEIFA (2011)

LGA	Sample	Index of relative socio-economic advantage & disadvantage	Index of relative socio-economic disadvantage	Index of economic resources	Index of education & occupation
NSW	n=152	58th Highest	52nd Highest	36th Highest	67th Highest
G-11	n=19	4th Highest	5th Highest	4th Highest	6th Highest
G-11 & neighbouring LGAs	n=24	6th Highest	7th Highest	5th Highest	8th Highest

Note. The LGAs are ranked by the level of SEIFA indexes, with more disadvantaged areas (low level of SEIFA) having a lower rank.

REPORT ON PROPOSED SPECIAL RATES VARIATION

As shown in Table 11, the average personal income of Greater Hume Shire, investment income earners, and superannuation and annuity owners were above the median of NSW, Group 11 and 'Group 11 & neighbouring' LGAs. Own unincorporated businesses were ranked above median levels for NSW and Group 11 LGAs, but lower than 'Group 11 & neighbouring' LGAs. The average personal income of wage and salary earners and total income were below the medians of all peer LGAs.

Overall, Greater Hume Shire investors and business owners are likely to be able to accommodate rate increases better than wage and salary earners. In terms of total average personal income, Greater Hume Shire residents are less likely to be able to accommodate rate increases compared to many of its peers, particularly in Group 11 and neighbouring LGAs.

Table 11: Average personal income (2012-13)

LGA	Sample	Wage and salary earners	Own unincorporated businesses	Investment income earners	Superannuation & annuity earners	Total
NSW	n=152	40th Lowest	49th Highest	38th Highest	63rd Highest	28th Lowest
G-11	n=19	6th Lowest	4th Highest	3rd Highest	6th Highest	3rd Lowest
G-11 & neighbouring LGAs	n=24	7th Lowest	8th Lowest	3rd Highest	6th Highest	4th Lowest

WRI has modelled the ranking of Greater Hume Shire among its respective peer groups in terms of all three rating categories, assuming that rates in Group 11 & neighbouring LGA peer groups grow at 8.06% (the weighted average rate increase permitted by IPART over the period 2012-15 for NSW LGAs), while Greater Hume Shire rates increase as per the proposed SRV.

As shown in Table 12 (overleaf), Greater Hume Shire residential rates ranking will improve, with rate levels remaining below the median of respective peers in 2017/18. Greater Hume Shire farmland rates ranking will improve but remain below the median of its respective peers, while the business rates ranking will remain unchanged, with business rates staying below the peers' median in 2017/18.

Table 12: Dynamics of Greater Hume Shire Council rate rankings

Year	Sample	Residential	Farmland	Business
2013/14	n=24	7 th Lowest	8 th Lowest	4 th Lowest
2014/15	n=24	6 th Lowest	7 th Lowest	4 th Lowest
2015/16	n=24	7 th Lowest	6 th Lowest	4 th Lowest
2016/17	n=24	7 th Lowest	6 th Lowest	4 th Lowest
2017/18	n=24	7 th Lowest	5 th Lowest	4 th Lowest

WRI notes that the ranking of Greater Hume Shire does not necessarily indicate an inability of Greater Hume Shire residents or businesses to bear the costs of proposed rates increases.

Overall, the proposed rates increase under the SRV will place:

- Greater Hume Shire residential rates below the average of Group 11 and neighbouring LGAs' levels;
- Greater Hume Shire farmland rates below the average of Group 11 LGA levels and below the average rates in neighbouring LGAs.
- Greater Hume Shire business rates below the average rates in Group 11 LGAs and below the average rates in neighbouring LGAs.

Under the proposed SRV Greater Hume Shire is ranked poorly against Group 11 and neighbouring LGAs in terms of average personal income and the level of outstanding rates. It is however, ranked favourably in terms of most socio-economic indicators and farm and business rates.

CONCLUSION

WRI has analysed the rates increases proposed by Greater Hume Shire Council in terms of comparison with other costs and prices, impact on households and businesses, and the ranking of Greater Hume Shire Council against peer LGAs.

As of 2012-13, Greater Hume Shire LGA is ranked poorly in terms of average personal income, however, it is ranked favourably in terms of most socio-economic indicators and farm and business rates.

In terms of costs for Greater Hume Shire households, the proposed rate increases under the SRV will be below assumed changes in gas, but above assumed changes for all utilities, goods and services. The proposed rate increases will achieve some form of catch up with residential gas and education prices, but will not change the rates/household expenditure ratio by more than one percentage point.

In terms of inputs for farm and non-farm businesses, the proposed rate increases under the SRV will be above changes in all input/output categories and wage costs. The proposed rate increases will achieve some form of catch up with input prices for electricity production, however, the impact on Greater Hume Shire businesses in terms of ability to pay rates and their financial bottom line will be negligible.

At the end of the SRV implementation period, Greater Hume Shire residential rates will be in line with neighbouring peer LGA levels, while farmland and business rates will be below Group 11 and neighbouring LGA levels.

Overall, the analysis of the reasonableness of the proposed rates increases delivered the following results:

- The rate increases proposed under the SRV pass the reasonableness tests in terms of the impact on households, farm and non-farm businesses.
- The reasonableness test is passed, when comparing Greater Hume Shire farmland and business rates with respective peer LGA rates.
- Given Greater Hume Shire's rates/household expenditure ratio, assistance provided to certain population groups, and socio-economic position of the LGA, the reasonableness test is passed when considering the ability of the Greater Hume Shire community to pay higher rates.
- The reasonableness tests are partially passed in terms of comparison of proposed rate increases with cost changes for households.
- The reasonableness tests are not passed in terms of comparison of proposed rate increases with cost and price changes for farm and non-farm businesses.

APPENDIX 1: TECHNICAL NOTES

1. Costs of residents

The costs incurred by Greater Hume Shire residents over 2012- 2014 period (Table 1) are based on compounded percentage changes of the consumer price index (CPI) for relevant sub-groups and expenditure classes over the September 2012 – September 2014 period in Sydney.¹⁴

2. Costs of businesses

WRI first examined the Greater Hume Shire industrial profile and identified the major industries. It then compared proposed business rates' increases with compounded percentage changes in either input or output prices for the respective industries in Greater Hume Shire LGA. For some industries (accommodation and food services, rail and road freight), no input price indices were available and therefore output prices are used for comparison. For the house construction industry, the Sydney input price index was used as a proxy. As in the case of residents' cost, it is assumed that growth in production costs and output over the implementation periods (2015/16 – 2017/18) will not deviate from the growth in 2012-14.¹⁵ Also, wage price indices for the non-farm business industries in question were used as a proxy for labour costs to complement producer price data. The wage price index data is available at a national level.¹⁶

3. Household expenditure

The procedure for extracting the Greater Hume Shire LGA expenditure data is as follows.

Firstly, the average weekly expenditure data for NSW households is obtained from the ABS Household Expenditure Survey, 2009-10.¹⁷ The numbers are inflated by the compounded growth in disposable income factor for the relevant period (September 2012 – September 2014) in order to obtain 2014 data. The disposable income series are contained in the Reserve Bank of Australia statistical database.¹⁸ The 2009-10 numbers are also inflated by the CPI growth for each individual expenditure item during 2012-14. Due to the double speed nature of the Australian economy, the CPI growth rates (and growth in individual expenditure items) are not uniform.

Secondly, the average weekly expenditure data for Greater Hume Shire households is obtained. The assumption is made that Greater Hume Shire's household expenditure is larger than NSW household expenditure in the same proportion as Greater Hume Shire's personal income is larger than NSW personal income, i.e. the savings patterns in Greater Hume Shire and NSW as a whole are similar. The average household size in Greater Hume Shire and NSW in general is similar.

¹⁴ The raw data is obtained from Australian Bureau of Statistics. Table 11. CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City. ABS Cat. No. 6401.0.

¹⁵ The raw data is obtained from Australian Bureau of Statistics. Tables 12-13, 17, 18-20. Producer Price Indexes. ABS Cat. No. 6427.0.

¹⁶ The raw data is obtained from Australian Bureau of Statistics. Table 5b. Total Hourly Rates of Pay Excluding Bonuses: Sector by Industry, Original. ABS Cat. No. 6345.0.

¹⁷ Australian Bureau of Statistics (2011) Household Expenditure Survey, Australia: Summary of Results, 2009-10. ABS Cat. No. 6530.0 (NSW Data Tables, Tables 5, 9 and 11).

¹⁸ Reserve Bank of Australia. Statistical Tables: Gross Domestic Product, Income Components – G12. Available at <http://www.rba.gov.au/statistics/tables/index.html>.

Thirdly, the average weekly expenditure (total, as well as individual items) for Greater Hume Shire is calculated in each of the years between 2015/16 and 2017/18 (corresponding to the Greater Hume Shire Council rates increase implementation timeframe). The 2013 figures are inflated by the expected growth in the disposable income (commensurate with the long term growth of Australian economy) and CPI growth rates, unique for each expenditure item. Residential rates are allowed to grow according to SRV proposed by Greater Hume Shire Council.

As a final step, the new levels of residential rates in 2017/18 are compared to the new levels of household expenditure, and an assessment is made as to the ability of Greater Hume Shire residents to bear the new rates.

4. Farm and non-farm businesses viability

For the Greater Hume Shire agricultural sector, the relationship between proposed farmland rates and future farm value added is estimated as follows. The value of agricultural value added in Greater Hume Shire LGA was provided from REMPLAN data accessed by Greater Hume Shire Council for January 2014. The most recent figure for Greater Hume Shire farm value added is thereby available for 2013/14, equal to \$71.25 million. The number of farms is obtained from the NSW Division of Local Government publications (588 farms in 2013/14).¹⁹ The average value added per farm is then calculated for 2013/14 (\$16.11 thousand). The number of farms in 2015/16 – 2017/18 is assumed to follow a long term trend, with an annual increase of 0.05%.²⁰ The future value of Greater Hume Shire agricultural value added (inflated by CPI growth factor of 2.3% per annum) is assumed to fluctuate around the 4-year mean. WRI considers this is reasonable, due to constraints on agricultural production in Greater Hume Shire LGA.

The procedure is essentially the same for the non-farm businesses. The number of non-farm businesses in 2014/15 – 2017/18 is assumed to follow a long term trend, with 0.4% increase in the number of businesses per annum. The non-farm value added is assumed to be growing moderately in light of socio-economic challenges that Greater Hume Shire and the Australian economy face.

5. Greater Hume Shire Council and its peers

In terms of average personal income, socio-economic standing and the level of rates, Greater Hume Shire LGA is compared to 'Group 11' peers, as well as neighbouring LGAs (Albury, Wagga Wagga, Urana, Lockhart, Tumbarumba, Corowa and Tumut). The average personal income data is sourced from the ABS.²¹ The socio-economic data is taken from the Socio-Economic Indexes for Areas (SEIFA) 2011 survey conducted by the ABS, and includes four indexes – Index of Relative Socio-Economic Disadvantage, Index of Relative Socio-Economic Advantage and Disadvantage, Index of Economic

¹⁹ Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils, 1994/95 – 2010/11; Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils: Measuring Local Government Performance, 2012-13, October 2014.

²⁰ The long term trend is linear and is estimated by ordinary least squares, with natural logarithm of the respective variable (number of non-farm businesses, or value added) regressed against time.

²¹ Australian Bureau of Statistics (2011) Estimates of Personal Income for Small Areas, Time Series, 2009-10. ABS Cat. No. 6524.0.55.002 (NSW, Table 1).

REPORT ON PROPOSED SPECIAL RATES VARIATION

Resources and Index of Education and Occupation.²² The historical council rates are obtained from the NSW Office of Local Government.²³

²² Australian Bureau of Statistics (2011) Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA). ABS Cat. No. 2033.0.55.001 (Local Government Areas, Tables 2-5).

²³ Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils, 1994/95 – 2010/11; Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils: Measuring Local Government Performance, 2012-13, October 2014.

APPENDIX 2: GREATER HUME AND NEIGHBOURING LOCAL GOVERNMENT AREAS

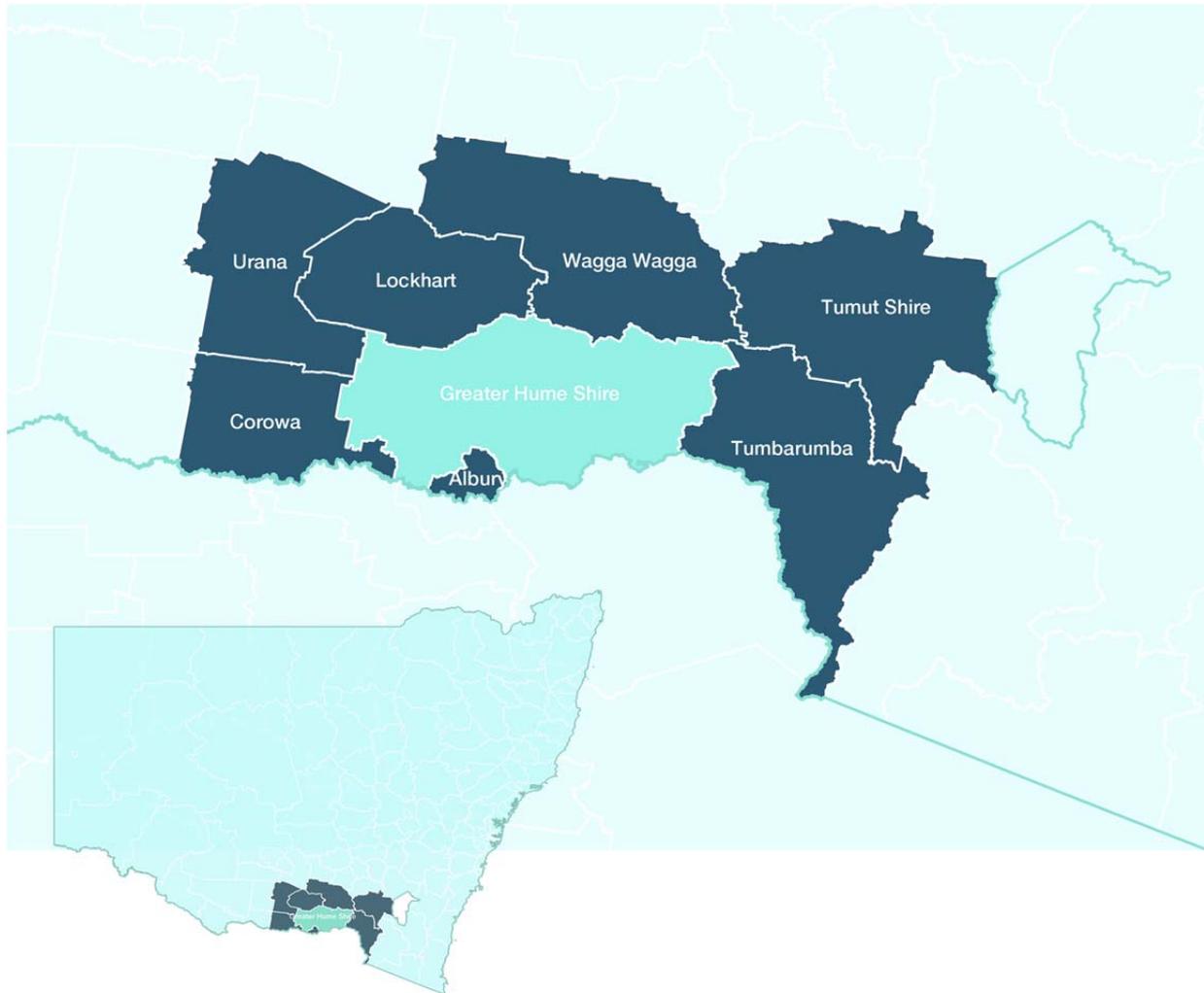


Figure 4: Local Government Areas surrounding Greater Hume Shire. Note, Albury also neighbours Greater Hume Shire to the South, but is not highlighted on this Map.

Source: <http://www.rrl.nsw.gov.au/riverina-regional-library/about-rrl/>

WESTERN RESEARCH INSTITUTE

WRI is a regional development research organisation located in Bathurst, New South Wales. WRI holds a wealth of knowledge on employment, business development and investment issues affecting regional Australia. It has worked with Commonwealth, State and Local Governments and industry groups on numerous investment and development programs in regional areas. WRI has strong credentials in business and commercial market consulting and applied economic modelling including input-output analysis, shift-share, agribusiness and regional socio-economic surveys and analysis.

Ms Danielle Ranshaw – Chief Executive Officer

BEC&Fin UNSW

Danielle leads the team at WRI, managing overall research output and developing the organisation's business and profile. Danielle is an experienced researcher, having worked with WRI for seven years in roles ranging from survey development, data analysis, in-depth interview, stakeholder consultation, focus group facilitation, project management and client presentation. She joined WRI having several years' experience as a project manager within the information technology sector and a few years of experience working in academic support program development at Charles Sturt University. Additionally, Danielle has extensive experience in business process analysis, performance planning and review, report writing and project planning.

Danielle is currently a member of the Australasian Evaluation Society and has considerable experience in developing monitoring and evaluation frameworks, having completed both large scale and small evaluations for organisations in the Central West of NSW. She is also enrolled in postgraduate study related to community engagement work.

Ms Kath Behrendt – Consulting Associate

BFA, GradDip AgEc, MEcSt (Economics) (UNE)

Kath has a professional background in agricultural economics, resource economics and accounting. She has worked in both the private and public sectors and has extensive

experience in agribusiness planning and development, economic and financial analysis, and small business management. Kath's strengths lie in bioeconomic modelling, cost-benefit analysis, and efficiency and productivity analysis.

Ms Erin Wise – Senior Research Officer

BBus Marketing, BBus Honours Class 1 (CSU)

Erin is a passionate market researcher with over 10 years' experience in the industry. Erin joins WRI after gaining a wealth of experience in brand strategy and development, and understanding consumer sentiment from her previous role as a Research Director at Pollinate. She is a skilled quantitative researcher with background in brand tracking, consumer segmentation, advertising testing and evaluation. Erin is proficient in multivariate data analysis techniques, project management, presenting and is dedicated to ensuring her clients solve their research problems.

Erin is currently a member of the Australian Marketing and Social Research Society and has been certified by the society as a Qualified Practicing Market Researcher (QPMR).

Mr Alistair Maclennan – Senior Research Officer

BA Political Economy, First Class Honours (UNE)

Having served in a variety of parliamentary, public service and private sector roles, Alistair brings a wealth of research experience to WRI. Alistair has well developed skills in data analysis, economics and business, and has a wide understanding of government. In addition,

Alistair also has experience in policy development in the energy sector, where he engaged with industry, government agencies and NGOs to inform policy. Alistair's experience in engaging with clients, stakeholders and the public assists WRI to fully understand its client's needs and provide tailored research.

Ms Rebecca Hood Research Officer

BBus (Fin/Acc) With Distinction CSU

With several years' experience in the Financial Services Industry, coupled with a degree in Finance and Accounting from Charles Sturt University, Rebecca brings strong skills in finance, economics, business and accounting to WRI projects. Rebecca's extensive experience in the finance field and her high level understanding of current market knowledge gives Rebecca a solid understanding of the financial needs of regional and rural Australia. Having prior experience with local councils and retail, Rebecca also brings a robust understanding of the needs of regional businesses in our local economy to her role at WRI.

Ms Dale Curran - Executive Officer

BA (ANU)

Dale is responsible for all administrative processes at WRI including executive support, finance, management of the Board of Directors and maintenance of policies. Dale has worked in a variety of roles at WRI, including Fieldwork Supervisor and Research Assistant, and has worked on several community and business surveys. As a result, she brings a strong understanding of research processes to her administrative role. Dale brings a high level of organisational skill and efficiency to her role as Executive Officer.

